

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Bakman Water Company
(U 219 W) for Authority to: (1) Remove the
Proceeds of Water Contamination Lawsuits
From Contributions-In-Aid-of Construction,
(2) Increase Rate Base, and (3) Recover
Increased Revenue Requirements in Rates.

Application 02-07-025
(Filed July 9, 2002)

**SCOPING MEMO AND RULING OF
ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**

Bakman Water Company (Bakman) requests Commission authority to (1) remove \$907,495 in proceeds of water contamination lawsuits from contributions-in-aid-of-construction; (2) increase its rate base to reflect the decrease in contributions; and (3) recover \$107,675 of increased revenue requirements in rates.

The Commission's Water Division protested this application. The Commission held a prehearing conference on Thursday, September 12, 2002.

This ruling confirms the categorization and changes the preliminary determination by concluding that hearings are now necessary. It also sets forth the proceeding's scope and schedule, confirms the principal hearing officer, specifies the time and manner for requesting oral argument, and addresses other procedural issues which will facilitate the efficient processing of this application.

1. Categorization and the Need for Hearings

This ruling confirms the Commission's preliminary categorization in Resolution ALJ 176-3092 of ratesetting. This ruling is appealable under Rule 6.4.

All parties at the prehearing conference agree that hearings may be necessary and that it is prudent to schedule them. Resolution ALJ 176-3092 found that hearings are not necessary, and this ruling changes that preliminary determination. Pursuant to Rule 6.5(b) of the Commission's Rules of Practice and Procedure (Rules), the determination on the need for hearing shall be placed on the Commission's Consent Agenda for approval of that change.

2. Scope of this Proceeding

The principal issue is whether it is appropriate to credit the settlement proceeds Bakman received from two water contamination lawsuits to contributions-in-aid-of-construction.

Issues which may be addressed include:

- the facts surrounding Bakman's past water contamination lawsuits, including but not limited to the timing and amounts of company revenues and costs related to the lawsuits, costs and accounting for company assets affected by the lawsuits, and related ratemaking approved in past Commission decisions and resolutions;
- related ratemaking (such as appropriate rate of return) and rate design issues;
- the policy issues surrounding the ratemaking treatment of the proceeds from the lawsuits, such as the risks born by shareholders and ratepayers, and appropriate rewards associated with identified risks; and
- legal issues related to ownership of the lawsuit proceeds.

3. Schedule

Event	Schedule
(1) Water Division's testimony; (2) The parties' joint stipulated testimony, including but not limited to testimony regarding ratemaking (rate of return) and rate design issues.	Both items served by Monday, November 25, 2002
Applicant's rebuttal testimony	Served by Monday, December 23, 2002
Written requests for Closing Argument Before the Assigned Commissioner	Served by Monday, December 23, 2002
Cross-examination estimates sent to the ALJ	Served by Wednesday, January 8, 2003 in such a manner that the ALJ receives them by 5:00 p.m. on January 8. ALJ Econome's email is jjj@cpuc.ca.gov and her fax number is 415/703-1723.
Evidentiary Hearings	Tuesday, January 14 and Wednesday, January 15, 2003, commencing at 9:00 a.m. on both days, held in the Commission's Courtroom, 505 Van Ness Avenue, San Francisco, California.
Requests for Oral Argument before the Commission	Made no later than the last day of evidentiary hearing (currently scheduled for January 15, 2003)
Concurrent Opening Briefs	Filed on Wednesday, February 5, 2003
Concurrent Reply Briefs	Filed on Wednesday, February 19, 2003
Proposed decision issues	No later than Tuesday, May 20, 2003

Our goal is to resolve this proceeding as soon as possible after it is submitted, and we anticipate that resolution will occur in any event within 18 months from the date of the filing of the application.

4. Principal Hearing Office and Final Oral Argument

Pursuant to Pub. Util. Code § 1701.3, Commissioner Duque designates ALJ Econome as the principal hearing officer.

As stated in the schedule, and pursuant to Rule 8(d), parties requesting final oral argument before the Commission must do so no later than the close of the evidentiary hearings, currently scheduled for January 15, 2003, unless directed otherwise by the Assigned Commissioner or ALJ.

5. Service List

At the prehearing conference, we established the official service list which is attached hereto as Appendix A.

6. Exhibits

Parties shall follow the requirements set forth in Appendix B regarding service, correction and identification of, and cross-examination with, exhibits in the hearing room.

7. Ex Parte Communications

Rules 7(c), (f), and (g) and 7.1 apply to this proceeding.

8. Discovery Disputes

If the parties have discovery disputes they are unable to resolve by meeting and conferring, they should raise these disputes under the Commission's Law and Motion procedure. (Resolution ALJ-164.)

IT IS RULED that:

1. This ruling confirms the Commission's preliminary categorization in Resolution ALJ 176-3092 of ratesetting. This ruling is appealable under Rule 6.4.
2. This ruling changes the Commission's preliminary determination and finds that hearings are necessary. Pursuant to Rule 6.5(b), this determination on the need for hearing shall be placed on the Commission's Consent Agenda for approval of that change.

3. The schedule and scope of this proceeding are as set forth in Sections 2 and 3.
4. ALJ Econome is the principal hearing officer in this application.
5. The official service list is attached as Appendix A.
6. Parties shall follow the instructions in Appendix B regarding service, correction and identification of, and cross-examination with, exhibits in the hearing room.
7. Rules 7(c), (f), and (g) and 7.1 apply to this proceeding regarding ex parte communication.
8. Parties shall resolve discovery disputes pursuant to the instructions in Section 8.

Dated September 18, 2002, at San Francisco, California.

/s/ HENRY M. DUQUE
Henry M. Duque
Assigned Commissioner

/s/ JANET A. ECONOME
Janet A. Econome
Administrative Law Judge

**APPENDIX A
SERVICE LIST
A.02-07-025**

******* APPEARANCES *******

James Weil
AGLET CONSUMER ALLIANCE
PO BOX 1599
FORESTHILL CA 95631
(530) 367-3300
jweil@aglet.org
For: Bakman Water Company

Richard Tim Bakman B
President
BAKMAN WATER COMPANY
PO BOX 7965
FRESNO CA 93747
(559) 255-0324
tim@bakmanwater.com
For: Bakman Water Company

Stacie M Castro
Legal Division
RM. 5025
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-4530
smc@cpuc.ca.gov
For: Water Division

Donald McCrea
Water Division
AREA 3-B
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-3087
don@cpuc.ca.gov
For: Water Division

Sindy J. Yun
Legal Division
RM. 4107
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1999
sjy@cpuc.ca.gov
For: Water Division

******* STATE EMPLOYEE *******

Fred L. Curry 5
Water Division
RM. 3106
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1739
flc@cpuc.ca.gov

Janet A. Econome
Administrative Law Judge Division
RM. 5113
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1494
jjj@cpuc.ca.gov

Maria E. Stevens
Executive Division
RM. 500
320 WEST 4TH STREET SUITE 500
Los Angeles CA 90013
(213) 576-7012
mer@cpuc.ca.gov

Rosalina White
Communications & Pubic Information Divis
AREA 2-B
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2074
raw@cpuc.ca.gov

APPENDIX B

EXHIBITS

Service of Exhibits

Paper copies of all prepared written testimony shall be served on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Electronic copies shall be served on the entire service list, including information only. Do NOT file prepared written testimony with the Commission's Docket Office. (Such testimony becomes part of the record only after it is admitted into evidence.)

Identification of Exhibits in the Hearing Room

Each party sponsoring an exhibit shall, in the hearing room, provide **two copies to the ALJ and one to the court reporter**, and have at least 5 copies available for distribution to parties present in the hearing room. **The upper right hand corner of the exhibit cover sheet shall be blank for the ALJ's exhibit stamp.** Please note that this directive applies to cross-examination exhibits as well. If there is not sufficient room in the upper right hand corner for an exhibit stamp, please prepare a cover sheet for the cross-examination exhibit.

Cross-examination With Exhibits

As a general rule, if a party intends to introduce an exhibit in the course of cross-examination, the party should provide a copy of the exhibit to the witness and the witness' counsel before the witness takes the stand on the day the exhibit is to be introduced. Generally, a party is not required to give the witness an advance copy of the document if it is to be used for purposes of impeachment or to obtain the witness' spontaneous reaction. An exception might exist if parties have otherwise agreed to prior disclosure, such as in the case of confidential documents.

Corrections to Exhibits

Generally, corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.

Exhibit corrections will receive the same number as the original exhibit plus a letter to identify the correction. Corrections of exhibits with multiple sponsors will also be identified by chapter number. For example, Exhibit 5-3-B is the second correction made to Chapter 3 of Exhibit 5.

(END OF APPENDIX B)

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail, to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated September 18, 2002, at San Francisco, California.

/s/ TERESITA C. GALLARDO

Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TDD# (415) 703-2032 five working days in advance of the event.